

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

for the year ended June 30, 2014

**UNION COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

State Committee for School District Audits
Members of the Board of Education
Union County School District
Morganfield, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Union County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Union County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits' Fiscal Year 2013-2014 Financial Audit Contract. Those standards and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Union County School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 37 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

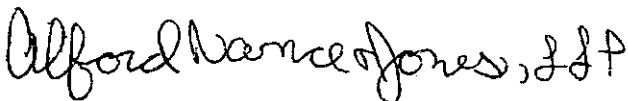
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Union County School District's basic financial statements. The combining and individual nonmajor fund financial statements/schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements/schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the Union County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County School District's internal control over financial reporting and compliance.



Alford, Nance, & Jones, LLP
Madisonville, KY
October 22, 2014

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

As management of the Union County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the additional information found within the audit report.

FINANCIAL HIGHLIGHTS

- The District has maintained a solvent financial condition and has been able to withstand the financial pressures of lower interest rates and numerous unfunded State mandates. Through budget reductions, cost containment and community partnerships, total governmental expenses of \$22,726,348 are \$1,017,230 less in comparison to the previous fiscal year. Although total governmental expenses for the fiscal year have experienced a decrease, the General Fund Unassigned Fund Balance slightly decreased \$14,227. The district will continue to monitor staffing and all instructional and support programs
- In total, net position of the District increased \$254,009. Net position of governmental activities increased by \$222,299, and net position of business-type activities increased by \$31,710.
- Property assessments generated on July 31, 2013 and then certified to the District Board of Education by the Commissioner showed total real and personal property valuation at \$912,991,740 and motor vehicle valuation at \$116,712,724. The real estate and personal property rate assessed was 54.2 cents per \$100 of assessed property. The total collected was \$4,471,101. The motor vehicle property tax rate was 55.7 cents per \$100 of assessed property. The total collected was \$663,850.
- Districts are funded through the Support Education Excellence in Kentucky (SEEK) calculation. A vital component of this calculation is the Average Daily Attendance (ADA). The District showed a slight decrease in ADA of 1.2%. The final funding for ADA for fiscal year 2014 was \$7,934,316.
- During fiscal year 2014 the District received \$8,276,648 in state SEEK funding. This is \$93,396 less than the prior year. The guaranteed per pupil base was \$3,827 compared to \$3,833 for the previous fiscal year. Transportation was not fully funded through the SEEK calculation during the fiscal year 2014. Transportation funding received in the amount of \$873,426 was prorated at 58.8% of the total cost of \$1,484,923 with leaving a balance of unfunded costs of \$611,497.
- Utility receipts increased 1% or \$128,375 from the prior year. The total collection for the year was \$1,411,650. During any given year the change can be attributed to a combination of usage, fluctuating prices and rate of collection. The Department of Revenue collects the utilities tax on behalf of the school districts in Kentucky for a fee not to exceed one percent.
- There was no across the board salary increase during the 2014 fiscal year. Rank and step increases did apply to the salary schedule.
- Total assets of governmental activities increased slightly in the amount of \$3,960. Capital assets decreased \$776,944 of which \$706,357 was due to depreciation expense, and \$70,587 was the result of disposal of assets. Offsetting the decreases in capital assets was a combined increase in overall cash and restricted cash of \$1,074,670.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

- District facility activity during fiscal year 2014 included the completion of a paving project and a roof replacement project at Uniontown Elementary School. The Uniontown Elementary School roof replacement was considered construction in progress as of June 30, 2014. The District continues to monitor facilities and refer to its long-range facility plan established with community input as stipulated by the Kentucky Department of Education's regulations.
- In January 2014 the Board issued bonds with a par amount of \$355,000 for the Uniontown Elementary School roof replacement project. The entire amount of \$355,000 will be service by the Kentucky School Facility Construction Commission.
- The Annual Financial Report and 2014 Audit report includes the on behalf payments in revenue due to GASB 34 regulation. The revenue amount was \$4,074,246 of that amount \$3,735,046 was expensed to the General Fund, \$140,841 Food Service, \$43,434 Day Care and \$154,925 was expensed to the Debt Service Fund.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private sector business.

- The ***Statement of Net Position*** presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving.
- The ***Statement of Activities*** presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash transactions. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these district-wide statements are divided into two district kinds of activities:

- ***Government Activities*** – The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. The fixed assets and related debt that are also supported by taxes and intergovernmental revenues are reported in this section.
- ***Business Type Activities*** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The types of activities reported in this category are the food service operations, childcare centers, and adult education courses. These activities are funded through fees charged and supported by federal grants and federal commodities used in the food service operations.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software system. The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds.

- **Governmental Funds** - Most of the School District's activities are reported in the governmental funds that include: general fund, special revenue (grants), capital outlay, building fund (FSPK), construction fund, and debt service fund. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed *short-term* view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements provided.
- **Proprietary Funds** - The proprietary fund includes the food service, childcare centers, and adult education that are also found in the business type activities fund. These funds use the same basis of accounting as business type activities; therefore, the statements for the proprietary fund will essentially match.
- **Fiduciary Funds** - The fiduciary funds are trust funds established by benefactors to aid in student education, welfare, and teacher support. The District's fiduciary funds are the school activity funds maintained at the school level. The schools' activity fund balances increased during fiscal year by \$55,461 ending the year with a total fund balance of \$256,573.
- **Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes may either better explain data found in the financial statements or provide additional information that is not found in the financial statements provided.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The largest portion of the District's reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets, which is outstanding at year-end.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of those capital assets.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities		Business Type Activities	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Current Assets	\$ 6,167,391	\$ 5,221,713	\$ 40,723	\$ 128,020
Capital or Non-current Assets	15,169,881	16,119,519	45,970	45,970
Total Assets	21,337,272	21,341,232	86,693	173,990
Deferred Outflows of Resources				
	8,574	-	-	-
Current Liabilities	1,779,877	1,299,172	14,100	144,663
Non-current Liabilities	6,311,058	6,905,923	2,000	3,500
Total Liabilities	8,090,935	8,205,095	16,100	148,163
Investment in capital asset (net of debt)	8,419,270	9,584,321	45,970	38,849
Restricted	941,209	414,160	-	-
Unrestricted	3,894,433	3,137,656	24,623	34
Total Net Assets	\$ 13,254,912	\$ 13,136,137	\$ 70,593	\$ 38,883

The total assets exceeded the total liabilities by \$13.3 million dollars and which indicates that the District is in a solvent financial position.

	Governmental Activities		Business- Type Activities	
	June 2014	June 2013	June 2014	June 2013
Program Revenues				
Charges for services	\$ 115,449	\$ 164,230	\$ 560,226	\$ 600,328
Operating grants and contributions	2,514,368	2,626,704	1,040,055	1,039,280
Capital grants and contributions	598,950	647,338		
Total Program Revenue	3,228,767	3,438,272	1,600,281	1,639,608
General Revenues				
Taxes	6,956,489	6,904,359	-	-
Intergovernmental	12,177,474	12,168,794	-	-
Earnings on investments	5,740	5,240	717	101
Miscellaneous	478,901	606,090	-	-
Total General Revenue	19,618,604	19,684,483	717	101
Total Revenues and Transfers	22,847,371	23,122,755	1,600,998	1,639,709

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Activities		Business-Type Activities	
	June 2014	June 2013	June 2014	June 2013
Program Expenses				
Instruction	12,272,816	14,015,009	-	-
Support services.	9,826,046	10,087,199	-	-
Facilities acquisition and construction	-	1,599	-	-
Other	1,858	-	-	-
Interest on long-term debt	236,582	276,382	-	-
Food services	-	-	1,421,747	1,524,404
Adult education	-	-	-	-
Community Service	236,191	235,217	199,120	217,989
Total Program Expenses	22,573,493	24,615,406	1,620,867	1,742,393
Transfers	(51,579)	(36,000)	51,579	36,000
Increase (Decrease) in Net Assets	222,299	(1,528,651)	31,710	66,684

GOVERNMENTAL FUND HIGHLIGHTS

- The beginning fund balance in the Governmental funds at July 1, 2013 was \$4,628,117. The ending fund balance as of June 30, 2014 was \$5,105,832. This is a net decrease of \$477,713 and was due to the following: an increase in the General fund balance of \$211,632 and an increase in the other Governmental funds of \$266,081.
- The Special Revenue fund expenditures for the year were \$2,546,664 million. The primary sources of revenues for these grants were State Grants totaling \$990,130 and Federal Grants totaling \$1,521,623 million.
- The Governmental Fund for Debt Service payments was a total of \$851,955 that included \$685,000 for principal payments and \$166,955 for interest.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014 the district had \$15,034,762 in capital assets. This included land, construction in progress, school buildings, athletic facilities, maintenance facilities, transportation facilities, administrative facilities and other equipment. The cumulative total assets were \$49.04 million with accumulated depreciation of \$34.70 million.

Summary of Capital Assets (net of accumulated depreciation)

	Governmental	Business-Type	Total
Land	\$ 323,153	\$ -	\$ 323,153
Construction in Progress	375,080	-	375,080
Land Improvements	404,644	-	404,644
Buildings & Improvements	11,834,364	-	11,834,364
Technology Equipment	535,484	5,043	540,527
Vehicles	884,013	-	884,013
General	632,053	40,928	672,981
Total Capital Assets	\$ 14,988,791	\$ 45,971	\$ 15,034,762

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Summary of Long-Term Debt

At the fiscal year-end the district had \$7,236,275 in long-term debt with \$6,700,000 in bonds outstanding, a KSBIT assessment of \$326,275, and compensated absences in the amount of \$210,000.

Comments on General Fund Budget Comparisons

General Fund Revenues:

The total General fund operating revenues budgeted for fiscal year 2014 in the original budget was \$18,883,702. The final operating revenue budget for the General fund remained unchanged at \$18,993,702. The actual operating revenue received was \$19,245,385. That is an increase of \$251,683 over the final General fund revenue budget.

General Fund Expenses:

The original general fund budget for expenses was \$19,815,177. The original contingency amount budgeted in that total was \$1,224,288. The final general fund budget for expenses was \$19,815,177. The final budgeted amount for contingencies was \$1,224,288. The actual expenses for the general fund for fiscal year 2014 were \$18,924,683. The district general fund had expenses under the final budget in the amount of \$890,494.

General Fund Budgetary Implications:

The legislative body of the State has not fully funded many of the mandates passed on to local school districts. This has presented a significant financial challenge as the District has worked to fund an assortment of mandates with inadequate state funding. This practice, over time, has placed a significant strain on the District's resources. The District maintains a contingency plan to deal with inadequacies in state funding, but the contingency plan would only address funding shortfalls for a short term time period. A long-term solution at the state level must be developed and enacted by the state legislature to ensure adequate funding for Kentucky's public school districts.

In addition, the time frames involved within the State of Kentucky's budgetary process does not allow management adequate time to make necessary adjustments to match revenue that will possibly be available. The school district financial management team does not have accurate data to identify the sources of revenues at the time the original budget is prepared and presented for approval in May before the start of the fiscal year. The state revenues or SEEK funds compose 54% of the annual general fund budget. The SEEK revenue will change numerous times from the original estimate given to the district preceding the start of the fiscal year. In addition, the management decisions to reduce programs and staffing must be implemented several months before the start of a respective fiscal year.

Local taxes continue to provide approximately 35.4% of the annual general fund budget and are critical to the General Fund. Both property and motor vehicle assessed values experienced an increase for the 2014 tax year. The growth and stability of the real estate market as well as industry activity in the county remains critical in sustaining local tax revenues.

District Challenges for the Future

- The financial impact of declining enrollment has been a difficult challenge for the school district in the past 21 years. Since 1992-93 the Union County School district has experienced a decline in

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

average daily attendance of approximately 978 students. This decline represents a 31% decrease over this 21- year period and accounts for a decline in state revenue of approximately \$3.6 million dollars per year. The district's student enrollment, which drives the majority of our funding, has stabilized in the past few years. However, we are still experiencing a slight decrease in enrollment yearly. We do not anticipate any significant decreases in the enrollment in the near future. However, we and other school districts in Kentucky experienced a decrease in funding due to the change in how the district's attendance is presently calculated. The State Legislators of Kentucky continue to pass an education budget that over the past few years significantly decreased our State education funding. The state of Kentucky continues to rank behind the majority of states in teacher compensation.

- The challenge will be to continue to attract the very best teachers and to continue to deliver a quality and ever improving education for our students while experiencing a decline in revenues. In recent years we have increased our beginning teacher salary schedule to become more competitive to surrounding districts. The District will be challenged financially as the state mandated 1% and 2% pay raises for staff to be implemented during the fiscal years 2015 and 2016, respectively.

We completed our facility plan and as with most school districts our unmet needs exceeds our current bonding potential. We do have some funds restricted in the general fund for limited building projects or other projects. The implementation of Governmental Accounting Standards Board) GASB 54 required the Board of Education to commit those respective funds. The management discussion includes the specific information related to GASB 54.

In the past three fiscal years the Union County School District's unassigned General Fund beginning balance has decreased by \$1,751,357 or 44%. The passage of Senate Bill 1 required many additional funds to implement. However the State did not increase our funding to meet this mandate.

The District cannot afford to spend above the operating revenue it receives in the General Fund. In the upcoming budget cycle for fiscal year 2015 the management team in cooperation with the Board of Education must develop and implement plans to reverse this trend in the General fund. A significant part of that plan will be an ongoing review of staffing allocations, staff benefits and all programs presently in place.

- **Report purpose and contact information:**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, these inquiries should be directed to:

Amy Morris, Director of Finance

Union County Schools at 510 South Morgan Street, Morganfield, Kentucky

Phone: 270-389-1694 or Email: amy.morris@union.kyschools.us

UNION COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Assets			
Current Assets			
Cash	\$ 4,399,240	\$ 597	\$ 4,399,837
Investments	-	-	-
Accounts receivable:			
Taxes	306,964	-	306,964
Accounts, net	153,500	-	153,500
Intergovernmental - state	9,779	-	9,779
Intergovernmental - federal	270,749	10,982	281,731
Due from other funds	1,655	-	1,655
Inventory	-	29,144	29,144
Prepaid insurance	34,388	-	34,388
Restricted cash	991,116	-	991,116
Total Current Assets	6,167,391	40,723	6,208,114
Noncurrent Assets			
Capital assets, net of accumulated depreciation	14,988,791	45,970	15,034,761
Prepaid interest	181,090	-	181,090
Total Noncurrent Assets	15,169,881	45,970	15,215,851
Total Assets	21,337,272	86,693	21,423,965
Deferred Outflows of Resources			
Deferred savings from refunding bonds	8,574	-	8,574
Total Deferred Outflows	8,574	-	8,574
Liabilities			
Current Liabilities			
Accounts payable	460,784	12,045	472,829
Due to other funds	-	1,655	1,655
Accrued liabilities	113,533	-	113,533
Retainage payable	31,088	-	31,088
Unearned revenue	213,091	-	213,091
Current portion of			
Bond obligations	700,000	-	700,000
Accrued interest	28,097	-	28,097
Accrued sick leave	95,467	400	95,867
KSBIT Assessment	137,817	-	137,817
Total Current Liabilities	1,779,877	14,100	1,793,977
Noncurrent Liabilities			
Noncurrent portion of:			
Outstanding bonds	6,000,000	-	6,000,000
Accrued sick leave	122,600	2,000	124,600
KSBIT assessment	188,458	-	188,458
Total Noncurrent Liabilities	6,311,058	2,000	6,313,058
Total Liabilities	8,090,935	16,100	8,107,035
Net Position			
Net investment in capital assets	8,419,270	45,970	8,465,240
Restricted for			
Capital outlay	670,420	-	670,420
Encumbrances	260,968	-	260,968
Debt service	9,821	-	9,821
Unrestricted	3,894,433	24,623	3,919,056
Total Net Position	\$ 13,254,912	\$ 70,593	\$ 13,325,505

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 12,272,816	\$ 21,894	\$ 1,910,161		\$ (10,340,761)		\$ (10,340,761)
Support Services:							
Student	997,233		21,884		(975,349)		(975,349)
Instructional staff	887,976		217,778		(670,198)		(670,198)
District administration	1,158,983				(1,158,983)		(1,158,983)
School administration	1,748,914				(1,748,914)		(1,748,914)
Business	755,086		84,026		(671,060)		(671,060)
Plant operations and maintenance	2,319,590				(2,319,590)		(2,319,590)
Student transportation	1,958,264	93,555	93,155		(1,771,554)		(1,771,554)
Community service	236,191		187,364		(48,827)		(48,827)
Other	1,858				(1,858)		(1,858)
Interest on long-term debt	236,582			\$ 598,950	362,368		362,368
Total Governmental Activities	22,573,493	115,449	2,514,368	598,950	(19,344,726)	-	(19,344,726)
Business-Type Activities							
Food services	1,421,747	463,065	989,709		\$	31,027	31,027
Daycare services	199,120	97,161	50,346		(51,613)		(51,613)
Total Business-Type Activities	1,620,867	560,226	1,040,055	-	(20,586)	(20,586)	(20,586)
Total Primary Government	\$ 24,194,360	\$ 675,675	\$ 3,554,423	\$ 598,950	(19,344,726)	(20,586)	(19,365,312)
General Revenues:							
Taxes:							
Property taxes					4,471,101		4,471,101
Motor vehicle taxes					663,850		663,850
Utility taxes					1,411,650		1,411,650
Unmined minerals					409,888		409,888
Other local revenue					455,825		455,825
Earnings on investments					5,740	717	6,457
Gain (Loss) on disposal fixed assets					23,076		23,076
State and formula grants					12,177,474		12,177,474
Total general revenues					19,618,604	717	19,619,321
Transfers					(51,579)	51,579	-
Change in net position					222,299	31,710	254,009
Net position - beginning					13,032,613	38,883	13,071,496
Net position - ending					\$ 13,254,912	\$ 70,593	\$ 13,325,505

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 4,399,240	-		\$ 4,399,240
Receivables:				
Taxes	306,964			306,964
Miscellaneous	153,500			153,500
Intergovernmental - Federal		\$ 270,749		270,749
Due from other funds	93,027			93,027
Prepaid insurance	34,388			34,388
Restricted cash			\$ 991,116	991,116
Total assets	<u>\$ 4,987,119</u>	<u>\$ 270,749</u>	<u>\$ 991,116</u>	<u>\$ 6,248,984</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 174,711	\$ 6,286	\$ 279,787	\$ 460,784
Accrued payroll and related expenses	113,533			113,533
Retainage payable			31,088	31,088
Due to other funds		91,372		91,372
Current portion of accrued sick leave	95,467			95,467
Unearned revenue	40,000	173,091		213,091
Current portion of KSBIT Assessment	137,817			137,817
Total liabilities	<u>561,528</u>	<u>270,749</u>	<u>310,875</u>	<u>1,143,152</u>
Fund Balances				
Nonspendable, Prepaid assets	34,388			34,388
Committed for:				
Sick Leave	139,634			139,634
Uniontown roof	110,000			110,000
Middle School HVAC	300,000			300,000
Transportation Buses	1,180,000			1,180,000
Phone system	60,000			60,000
Technology equipment	70,000			70,000
Restricted for:				
Capital Projects			670,420	670,420
Debt Service			9,821	9,821
Assigned to:				
Encumbrances	260,968			260,968
Unassigned				
General fund	2,270,601			2,270,601
Total fund balances	<u>4,425,591</u>	<u>-</u>	<u>680,241</u>	<u>5,105,832</u>
Total liabilities and fund balances	<u>\$ 4,987,119</u>	<u>\$ 270,749</u>	<u>\$ 991,116</u>	<u>\$ 6,248,984</u>

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO STATEMENT
OF NET POSITION
JUNE 30, 2014**

Total governmental fund balance per fund financial statements.	\$ 5,105,832
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position.	14,988,791
Certain assets are not reported in this fund financial statement because they are not available to pay current-period expenditures, but they are reported in the statement of net position. (Prepaid interest \$181,090 and Intergovernmental - state receivable for KSFCC portion of accrued interest \$9,780 and Savings from refunding bonds \$8,574)	199,444
Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position Long-term liabilities at year end consist of	
Bond obligations	(6,700,000)
Accrued interest	(28,097)
Compensated absences	(122,600)
KSBIT assessment	(188,458)
Net position of governmental activities	<u>\$ 13,254,912</u>

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Taxes:				
Property	\$ 3,956,249		\$ 514,852	\$ 4,471,101
Motor vehicle	663,850			663,850
Utility	1,411,650			1,411,650
Unmined mineral	409,888			409,888
Earnings on investments	5,300		440	5,740
Other local revenues	126,127	\$ 1,740		127,867
Intergovernmental - Local	446,024			446,024
Intergovernmental - State	12,057,311	990,130	598,950	13,646,391
Intergovernmental - Indirect federal		1,521,623		1,521,623
Intergovernmental - Direct federal	115,590			115,590
Total revenues	<u>19,191,989</u>	<u>2,513,493</u>	<u>1,114,242</u>	<u>22,819,724</u>
Expenditures:				
Current:				
Instruction	9,730,102	1,942,457		11,672,559
Support services:				
Student	1,062,328	21,884		1,084,212
Instruction staff	668,570	217,778		886,348
District administrative	1,142,985			1,142,985
School administrative	1,720,520	-		1,720,520
Business	695,704	84,026		779,730
Plant operation and maintenance	2,140,279			2,140,279
Student transportation	1,661,970	93,155		1,755,125
Community service activities	48,827	187,364		236,191
Capital outlay				
Facilities acquisition and construction			456,444	456,444
Debt service:				
Principal			685,000	685,000
Interest			166,955	166,955
Total expenditures	<u>18,871,285</u>	<u>2,546,664</u>	<u>1,308,399</u>	<u>22,726,348</u>
Excess (deficiency) of revenues over (under) expenditures	<u>320,704</u>	<u>(33,171)</u>	<u>(194,157)</u>	<u>93,376</u>
Other Financing Sources (Uses)				
Proceeds from bond issues	-	-	355,000	355,000
Proceeds from sale of assets	80,918		-	80,918
Transfers in	-	33,171	859,512	892,683
Transfers out	(189,988)	-	(754,274)	(944,262)
Total other financing sources (uses)	<u>(109,070)</u>	<u>33,171</u>	<u>460,238</u>	<u>384,339</u>
Net change in fund balance	211,634	-	266,081	477,715
Fund balance, July 1, 2013	<u>4,213,957</u>	<u>-</u>	<u>414,160</u>	<u>4,628,117</u>
Fund balance, June 30, 2014	<u>\$ 4,425,591</u>	<u>\$ -</u>	<u>\$ 680,241</u>	<u>\$ 5,105,832</u>

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Net change in fund balance - total governmental funds	\$ 477,715
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays for the year.	(776,944)
Certain accruals do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements. (Change in KSBIT assessment \$229,542 and change in accrued sick leave \$28,900)	258,442
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.	685,000
Capitalized savings from bond refundings must be amortized over the remaining life of the bonds	(1,858)
Proceeds for the issuance of bonds provide current financial resources and are reported in this fund financial statement, but they are presented as liabilities in the statement of net position.	(355,000)
Accruals of interest payments on long-term debt do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund statements. (Net of receivable for KSFCC for their share of accrued interest)	(65,056)
Change in net position of governmental activities.	<u>\$ 222,299</u>

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	<u>SCHOOL FOOD SERVICES</u>	<u>NONMAJOR ENTERPRISE FUND</u>	<u>TOTAL ENTERPRISE FUNDS</u>
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 597		\$ 597
Accounts receivable			
Accounts, net	-		-
Intergovernmental - Indirect Federal	10,982		10,982
Inventories	29,144		29,144
Total Current Assets	<u>40,723</u>	<u>-</u>	<u>40,723</u>
Non-Current Assets:			
Capital assets	455,240		455,240
Less: accumulated depreciation	(409,270)		(409,270)
Total Non-Current Assets	<u>45,970</u>	<u>-</u>	<u>45,970</u>
Total Assets	<u><u>\$ 86,693</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 86,693</u></u>
Liabilities and Net Position:			
Current Liabilities:			
Accounts payable	\$ 12,045		\$ 12,045
Due to other funds	1,655		1,655
Current portion of accrued sick leave	400		400
Total Current Liabilities	<u>14,100</u>	<u>-</u>	<u>14,100</u>
Noncurrent Liabilities:			
Accrued sick leave	<u>2,000</u>		<u>2,000</u>
Total noncurrent liabilities	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total Liabilities	<u>16,100</u>	<u>-</u>	<u>16,100</u>
Net Position:			
Restricted			
Net investment in capital assets	45,970		45,970
Unrestricted	<u>24,623</u>	<u>-</u>	<u>24,623</u>
Total Net Position	<u>70,593</u>	<u>-</u>	<u>70,593</u>
Total Liabilities and Net Position	<u><u>\$ 86,693</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 86,693</u></u>

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	SCHOOL FOOD SERVICES	NONMAJOR ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS
Operating Revenues:			
Lunchroom sales	\$ 463,065		\$ 463,065
Community service activities		\$ 97,161	97,161
Other operating revenues			-
Total Operating Revenues	<u>463,065</u>	<u>97,161</u>	<u>560,226</u>
Operating Expenses:			
Salaries and wages	448,804	116,132	564,936
Employee benefits	267,398	75,528	342,926
Professional and contract services	3,085	701	3,786
Materials and supplies	689,404	6,357	695,761
Depreciation	13,056		13,056
Other operating expenses		402	402
Total Operating Expenses	<u>1,421,747</u>	<u>199,120</u>	<u>1,620,867</u>
Operating loss	<u>(958,682)</u>	<u>(101,959)</u>	<u>(1,060,641)</u>
Non-Operating Revenues:			
Federal grants	764,925		764,925
Donated commodities	72,041		72,041
State grants	152,743	50,346	203,089
Interest income	717		717
Total Non-Operating Revenues	<u>990,426</u>	<u>50,346</u>	<u>1,040,772</u>
Operating transfers in	<u>-</u>	<u>51,579</u>	<u>51,579</u>
Change in Net Position	31,744	(34)	31,710
Total Net Position - Beginning	<u>38,849</u>	<u>34</u>	<u>38,883</u>
Total Net Position - Ending	<u>\$ 70,593</u>	<u>\$ -</u>	<u>\$ 70,593</u>

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	SCHOOL FOOD SERVICES	NONMAJOR ENTERPRISE FUND	TOTAL ENTERPRISE FUNDS
Cash Flows from Operating Activities:			
Cash received from lunchroom sales	\$ 463,065		\$ 463,065
Cash received from user charges and other	-	\$ 97,161	97,161
Cash payments to employees for services	(576,961)	(148,503)	(725,464)
Cash payments to suppliers for goods and services	(609,830)	(7,059)	(616,889)
Cash payments for other operating activities	-	(402)	(402)
Net cash used for operating activities	<u>(723,726)</u>	<u>(58,803)</u>	<u>(782,529)</u>
Cash Flows from Noncapital Financing Activities:			
Non-operating grants received	846,339	6,911	853,250
Operating transfers in(out)	-	51,579	51,579
Decrease in due to other fund	(123,330)	-	(123,330)
Net cash provided for noncapital financing activities	<u>723,009</u>	<u>58,490</u>	<u>781,499</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	-	-	-
Cash Flows from Investing Activities:			
Interest on investments	<u>717</u>		<u>717</u>
Net increase(decrease) in cash and cash equivalents	-	58,177	781,186
Cash and cash equivalents - Beginning of the year	597	313	910
Cash and cash equivalents - End of the year	<u><u>\$ 597</u></u>	<u><u>\$ 58,490</u></u>	<u><u>\$ 782,096</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:			
Operating loss	\$ (958,682)	\$ (101,958)	\$ (1,060,640)
Adjustments to Reconcile Operating Loss to Net Cash Provided(Used) in Operating Activities:			
Depreciation	13,056		13,056
Commodities received	72,041		72,041
On behalf payments recorded	140,841	43,434	184,275
Changes in assets and liabilities			
Receivables			-
Inventory	17,472		17,472
Accounts payable	(6,854)	(279)	(7,133)
Accrued liabilities			-
Accrued sick leave	(1,600)		(1,600)
Net Cash Used by Operating Activities	<u><u>\$ (723,726)</u></u>	<u><u>\$ (58,803)</u></u>	<u><u>\$ (782,529)</u></u>
Schedule of noncash transactions:			
Benefits paid by state of Kentucky on behalf of District	\$ 140,841	\$ 43,434	\$ 184,275
Donated commodities received from Federal Government	72,041	-	72,041
	<u><u>\$ 212,882</u></u>	<u><u>\$ 43,434</u></u>	<u><u>\$ 256,316</u></u>

The accompanying notes are an integral part of the financial statements

UNION COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	AGENCY FUNDS
Assets:	
Cash and cash equivalents	\$ 210,362
Certificates of deposit	83,406
Accounts receivable	1,454
Total Assets	\$ 295,222
Liabilities:	
Accounts payable	\$ 38,649
Due to student groups	256,573
Total Liabilities	\$ 295,222

The accompanying notes are an integral part of the financial statements

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 1. Summary of Significant Accounting Policies

a. Reporting Entity

The Union County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Union County School District (District). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Union County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

These financial statements present the District and its component units, entities for which the District entity is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the governmental entity's operations and so data from these units would be combined with data of the primary governmental entity. The Union County School District has one blended component unit.

Blended Component Unit:

Union County School District Finance Corporation - On April 20, 1989, the Union County, Kentucky, Board of Education resolved to authorize the establishment of the Union County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the District for financing the costs of school building facilities. The Board Members of the Union County Board of Education also comprise the Corporation's Board of Directors.

b. Basis of Presentation

Government-wide Financial Statements-The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The effect of interfund activity has been substantially removed from these statements.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service program or department and are therefore, clearly identifiable with a specific function or segment. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expense with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 1. Summary of Significant Accounting Policies, continued

b. Basis of Presentation, continued

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, those revenues are primarily charges for meals provided by the various schools. All revenues not meeting this definition are reported as nonoperating revenues. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District has the following funds:

Governmental Fund Types

- 1) The **General Fund** is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unreserved fund balances are considered as resources available for use. This is a major fund of the District.
- 2) The **Special Revenue (Grant) Fund** accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs, as well as state grant programs, where unused balances are returned to the grantor at the close of specified project periods. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- 3) **Capital Project Funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
 - a) The **Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund** receives those funds designated by the state as Capital Outlay Funds and is generally restricted for use in financing projects identified in the District's facility plan and corresponding debt service.
 - b) The **Facility Support Program (FSPK) Fund** accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan and corresponding debt service.

UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014

Note 1. Summary of Significant Accounting Policies, continued

b. Basis of Presentation, continued

- c) The **Construction Fund** accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- 4) The **Debt Service Fund** is used to account for the accumulation of resources for, and payment of, general long-term debt, principal and interest and related costs; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Types

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The District has two enterprise funds: the School Food Services Fund, and the After School Program Fund.

- 1) The **School Food Services Fund** is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Services Fund is a major fund.
- 2) The **After School Program Fund** is used to account for after school programs established to provide supervised activities for children in the afternoon

Fiduciary Fund Types

Fiduciary Funds account for assets held by the District in a trustee capacity (trust funds) or as an agent on behalf of others (agency funds). The District has no trust funds.

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the board holds for others in an agency capacity. The Agency Fund consists of Activity funds and accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with "*Uniform Program of Accounting for School Activity Funds*."

c. Basis of Accounting

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the modified accrual basis of accounting, whereby revenues are recognized when they become both measurable and available. Revenues are considered to be "available" when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Expenditures are generally recognized when the related liability is incurred.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 1. Summary of Significant Accounting Policies, continued

c. Basis of Accounting, continued

Non-exchange transactions, in which the District received value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

d. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

e. Cash and Cash Equivalents/Restricted Cash/Investments

The Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents. Cash is restricted in the special revenue funds per grant and other agreements, in the capital projects funds per state requirements and in debt service funds per debt agreements. (See Note 2)

Cash balances of the District's funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to the various funds based on the fund's average cash balance. Funds with negative cash balances are not charged interest.

As security for deposits of the District, any bank doing such business is required to pledge securities in an amount to exceed funds on deposit by the District. In addition, the District's accounts are insured, subject to FDIC coverage terms and limitations. (See Note 2)

State statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. Agencies, certain federal instruments, commercial bank's certificates of deposit, savings and loan deposits, repurchase agreements, and the Commonwealth of Kentucky Investment Pool.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

f. Allowance for Doubtful Accounts

Student accounts receivable are stated net of an allowance for doubtful accounts. The District estimated the allowance based on its historical experience of the uncollected accounts at June 30. The allowance for doubtful accounts was \$12,248 at June 30, 2014.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 1. Summary of Significant Accounting Policies, continued

g. Inventories/Commodities

Supplies and materials are charged to expenditures when purchased with the exception of the proprietary funds which record inventory using the accrual basis of accounting. Inventories are valued at cost or at the estimated fair value at the date of donation, using the first-in, first-out method. For the purposes of the statement of cash flows, federal grants received does not include non-cash commodities received in the amount of \$72,041.

h. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years

i. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

j. Accrued Sick Leave

The Union County School District allows employees to accumulate and carry over sick days from year to year. The amount of total days that may be carried over from year to year is unlimited. Upon retirement from the school system, employees will receive an amount up to thirty percent (30%) of the value of accumulated sick leave. Separation of employment for any reason other than retirement results in the employee forfeiting accumulated days. Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. It is deemed probable that benefits will be paid to employees with more than twenty years of experience and any employee age 55 or older with at least five years experience.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 1. Summary of Significant Accounting Policies, continued

j. Accrued Sick Leave, continued

The entire accrued sick leave liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Current Portion of Accrued Sick Leave" in the general fund. The non-current portion of the liability is not reported.

k. Accrued Liabilities/Long-Term Obligations/Deferred Outflows of Resources

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statement. Bond discounts and premiums are recorded as deferred outflows of resources (deferred savings from refunding bonds) in the government-wide financial statements and amortized on a straight line basis over the life of the bonds.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

l. Net Position and Fund Balance

District-Wide Financial Statements

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position include the following:

Net Investment in Capital Assets – The component of restricted net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Capital Outlay – The component of net position that reports the financial resources restricted to pay for construction activities.

Restricted for Debt Service – The component of net position that reports the financial resources restricted to pay for debt service on capital related debt less current accrual of interest.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, Net of Related Debt, Net Position Restricted for Capital Outlay, or Net Position Restricted for Debt Service.

Governmental Fund Financial Statements

In July 2010, the District adopted Statement of Governmental Accounting standards No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Accordingly, in the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned fund balance. Also, the District has established the order of assigned, committed and restricted when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 1. Summary of Significant Accounting Policies, continued

l. Net Position and Fund Balance, continued

Nonspendable fund balances are those amounts that cannot be spent because they are either: (1) generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts or (2) amounts that are required to be maintained intact, such as the principal of a permanent fund. At June 30, 2014, the District had \$34,388 of prepaid expenses recorded as nonspendable fund balance.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the District had the following amounts restricted for capital outlay: FSPK \$211,168, SEEK \$338,988, Construction \$120,264 and \$9,821 restricted for debt service.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had the following commitments at June 30, 2014: Sick leave \$139,634, Uniontown Roof project \$110,000, Middle School HVAC \$300,000, Buses \$1,180,000, Telephone system \$60,000 and Technology equipment \$70,000.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which results in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose. At June 30, 2014, the District had \$260,968 assigned related to encumbrances.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

m. Property Taxes

Property taxes are levied annually by ordinance, usually in October on the assessed value listed as of the property January 1, for all real and personal property in the District. The billings are considered due upon receipt by the taxpayer, however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied.

The property tax rates assessed for the year ended June 30, 2014 were 54.2 cents per \$100 valuation for real and personal property and 55.7 cents per \$100 valuation for motor vehicles, of which 5.5 cents is for participation in Facility Support Program.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the District, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

n. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 1. Summary of Significant Accounting Policies, continued
n. Interfund Activity, continued

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

o. Prepaid Assets

Payments made that will benefit periods beyond June 30, 2014 are recorded as prepaid assets using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed. At June 30, 2014 the District had a prepaid interest balance of \$181,090 resulting from the refunding of the Union County School District Finance Corporation School Building Refunding Series 2006 Bond Issue. The prepaid interest balance represents bond proceeds deposited into an escrow account to fund remaining interest payments for the Series 2006 Bonds in the amount of \$271,635 which has been offset by estimated interest earnings from the Series 2013 Bond issue in the amount of \$21,376. The balance is to be amortized over four years.

p. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. An assignment of fund balance equal to outstanding encumbrances at year-end is provided for at June 30, 2014. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Note 2. Cash and Deposits

At June 30, 2014, the carrying amounts of the District's deposits were \$5,684,132 (excluding cash on hand \$589) and the bank balances were \$6,688,781. Of the bank balances, \$585,069 was insured by federal depository insurance, \$6,103,712 was covered by collateral held by the pledging bank's escrow agent in District's name.

The District's Cash and cash equivalents at June 30, 2014 consisted of the following:

	Bank Balance	Book Balance
Fifth Third Bank Checking	\$ 1,308,689	\$ 1,158,843
Fifth Third Bank Certificates of Deposit	41,174	41,174
Old National Bank Certificate of Deposit	2,232	2,232
Old National Bank Checking	598	598
United Community Bank Checking	5,292,792	4,437,989
United Community Bank Certificate of Deposit	43,296	43,296
	<u>\$ 6,688,781</u>	<u>5,684,132</u>
Restricted cash		<u>(991,116)</u>
Unrestricted cash and cash equivalents		<u>\$ 4,693,016</u>
Reported in the financial statement:		
Governmental funds		\$ 5,390,356
Proprietary funds		597
Fiduciary funds		<u>293,768</u>
		<u>\$ 5,684,721</u>

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 2. Cash and Deposits, continued

Restricted cash at June 30, 2014 consists of the following:

FSPK Fund	\$ 211,168
SEEK Fund	338,988
Construction Fund	431,139
Debt Service Fund	<u>9,821</u>
	<u>\$ 991,116</u>

Note 3. Capital Assets

During the year ended June 30, 2014, the following changes occurred in capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets that are not depreciated:				
Land	\$ 323,153	\$ -	\$ -	\$ 323,153
Construction in progress	12,745	375,080	(12,745)	375,080
Total Non-depreciable Historical Cost	<u>335,898</u>	<u>375,080</u>	<u>(12,745)</u>	<u>698,233</u>
Capital assets that are depreciated:				
Land improvements	1,163,108	104,501	-	1,267,609
Buildings and improvements	40,112,679	6,059	-	40,118,738
Technology equipment	2,421,191	213,273	-	2,634,464
Vehicles	3,441,900	-	(179,466)	3,262,434
General	1,270,624	27,782	-	1,298,406
Total Depreciable Historical Cost	<u>48,409,502</u>	<u>351,615</u>	<u>(179,466)</u>	<u>48,581,651</u>
Less accumulated depreciation for:				
Land improvements	830,138	32,827	-	862,965
Buildings and improvements	27,423,891	860,483	-	28,284,374
Technology equipment	1,834,848	264,132	-	2,098,980
Vehicles	2,295,815	204,230	(121,624)	2,378,421
General	594,973	71,380	-	666,353
Total Accumulated Depreciation	<u>32,979,665</u>	<u>1,433,052</u>	<u>(121,624)</u>	<u>34,291,093</u>
Total Depreciable Historical Cost, Net	<u>15,429,837</u>	<u>(1,081,437)</u>	<u>(57,842)</u>	<u>14,290,558</u>
Governmental Activities:				
Capital Assets, Net	<u>\$ 15,765,735</u>	<u>\$ (706,357)</u>	<u>\$ (70,587)</u>	<u>\$ 14,988,791</u>

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 3. Capital Assets, continued

Business-Type Activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets that are depreciated:				
Technology equipment	\$ 56,127	\$ -	\$ -	\$ 56,127
General	399,113	-	-	399,113
Total Depreciable Historical Cost	<u>455,240</u>	<u>-</u>	<u>-</u>	<u>455,240</u>
Less accumulated depreciation for:				
Technology equipment	46,997	4,088	-	51,085
General	349,217	8,968	-	358,185
Total Accumulated Depreciation	<u>396,214</u>	<u>13,056</u>	<u>-</u>	<u>409,270</u>
Total Depreciable Historical Cost, Net	<u>\$ 59,026</u>	<u>\$ (13,056)</u>	<u>\$ -</u>	<u>\$ 45,970</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 858,699
Support services:	
Student support services	16,953
Instruction staff	1,628
District administration	15,998
School administration	28,394
Business support	56,837
Plant operations and maintenance	241,142
Student transportation	213,401
Total Depreciation Expense	<u>\$ 1,433,052</u>

Note 4. Due to/from other funds

The composition of interfund balances as of June 30, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Special Revenue	Cash deficit in pooled account	\$ 91,372
General	School Food Service	Cash deficit in pooled account	1,655
			<u>\$ 93,027</u>

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 5. Long-Term Debt

Bonded Debt Obligations

On certain bond issues, the District has entered into "participation agreements" with the Kentucky School Facility Construction Commission (KSFCC). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs.

The original amount of the issues, the issue dates and interest rates of outstanding bonds at June 30, 2014 are summarized below:

<u>Issue</u>	<u>Original Amount</u>	<u>Interest Rates</u>
Issue of 2006	\$ 3,040,000	3.50% - 4.30%
Issue of 2009, Refunding	1,960,000	2.00% - 3.50%
Issue of 2011, Refunding	3,480,000	1.50% - 3.00%
Issue of 2013, Refunding	2,440,000	1.00% - 2.15%
Issue of 2014	355,000	1.00% - 2.15%

The bonds may be called prior to maturity dates and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2014 for debt service (principal and interest) are as follows:

	<u>District</u>		<u>School Facility Construction Commission</u>		<u>Total</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2014-15	\$ 199,213	\$ 562,047	\$ 59,606	\$ 137,953	\$ 258,819	\$ 700,000	\$ 958,819
2015-16	185,250	572,947	55,438	147,053	240,688	720,000	960,688
2016-17	99,356	588,691	31,201	151,309	130,557	740,000	870,557
2017-18	87,537	600,416	27,528	154,584	115,065	755,000	870,065
2018-19	72,855	621,321	23,049	158,679	95,904	780,000	875,904
2019-20	56,502	508,989	18,216	66,011	74,718	575,000	649,718
2020-21	43,847	522,970	16,640	67,030	60,487	590,000	650,487
2021-22	29,988	531,929	15,045	68,071	45,033	600,000	645,033
2022-23	15,849	185,868	13,428	69,132	29,277	255,000	284,277
2023-24	12,132	189,786	11,791	70,214	23,923	260,000	283,923
2024-25	8,336	193,680	10,131	71,320	18,467	265,000	283,467
2025-26	4,462	207,554	8,450	77,446	12,912	285,000	297,912
2026-27			6,475	20,000	6,475	20,000	26,475
2027-28			5,735	20,000	5,735	20,000	25,735
2028-29			4,995	20,000	4,995	20,000	24,995
2029-30			4,255	20,000	4,255	20,000	24,255
2030-31			3,515	20,000	3,515	20,000	23,515
2031-32			2,775	25,000	2,775	25,000	27,775
2032-33			1,850	25,000	1,850	25,000	26,850
3033-34			925	25,000	925	25,000	25,925
	<u>\$ 815,327</u>	<u>\$5,286,198</u>	<u>\$ 321,048</u>	<u>\$ 1,413,802</u>	<u>\$ 1,136,375</u>	<u>\$ 6,700,000</u>	<u>\$ 7,836,375</u>

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 5. Bonded Debt Obligations, continued

During the year ended June 30, 2014, the following changes occurred in long-term liabilities:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within one year
Governmental Activities:					
Bonds	\$ 7,030,000	\$ 355,000	\$ 685,000	\$ 6,700,000	\$ 700,000
KSBIT assessment	418,000		91,725	326,275	137,817
Accrued sick leave	236,500		(A) 18,433	218,067	95,467
	<u>\$ 7,684,500</u>	<u>\$ 355,000</u>	<u>\$ 795,158</u>	<u>\$ 7,244,342</u>	<u>\$ 933,284</u>
Business-Type Activities:					
Accrued sick leave	<u>\$ 4,000</u>		<u>\$ 1,600</u>	<u>\$ 2,400</u>	<u>\$ 400</u>

(A) This amount represents the net addition in compensated absences, ie, days earned less days taken.

During 2006, Union County School District Finance Corporation School Building Revenue Bond, Series 2006, dated April 1, 2006 in the amount of \$3,040,000, was issued to finance construction of improvements at Union County High School.

Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 2009, dated February 1, 2009 in the amount of \$1,960,000, were issued for the purpose of refunding and defeasing the Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series of 1999 which have been paid in full. The KSFCC is participating in approximately 43% of the debt service of the bonds. This current refunding was undertaken to reduce total debt service payments over the next ten years by \$168,825 and resulted in an economic gain of \$144,128.

Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2011, dated March 1, 2011, in the amount of \$3,480,000, were issued for the purpose of refunding the outstanding Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2002, dated June 1, 2002, scheduled to mature on and after June 1, 2012. This refunding was undertaken to reduce total debt service payments over the next ten years by \$200,692 and resulted in an economic gain of \$167,947. In February 2013, the in-substance defeased debt was paid in full.

Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2013, dated April 1, 2013, in the amount of \$2,440,000, were issued for the purpose of refunding the outstanding Union County School District Finance Corporation School Building Refunding Revenue Bonds, Series 2006, dated April 1, 2006, maturing April 1, 2017 and thereafter. The 2006 Bonds maturing April 1, 2014 through April 1, 2016 will not be defeased and remain payable under the original terms. This refunding was undertaken to reduce total debt service payments over the next twelve years by \$147,948 and resulted in an economic gain of \$129,437. At June 30, 2014, \$2,180,000 of the in-substance defeased debt is outstanding.

During 2014, Union County School District Finance Corporation School Building Revenue Bond, Series 2014, dated January 16, 2014 in the amount of \$355,000, was issued to finance construction of improvements at Uniontown Elementary School. The KSFCC is participating at 100% of the debt service of the bonds.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 5. Bonded Debt Obligations, continued

Other Long-Term Debt

The Kentucky School Boards Insurance Trust (KSBIT) notified all past and present members that they will be assessed to make up for a growing deficit in the Workers' Compensation Self-Insurance and/or Property and Liability pools. The District recorded a liability of \$326,275 (\$251,278 for Workers' Compensation liability and \$74,997 for Property and Liability coverage). The Property and Liability was paid in full in September of 2014 and the District expects to finance the Workers' Compensation liability portion through an interest free loan from KSBIT over 6 years after a 25% down payment. Payments expect to begin August 31, 2015.

Note 6. Retirement Plans

KTRS

The Union County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple-employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% for employees hired before July 1, 2008 and 14.105% for employees who started their account after July 1, 2008 and not paid with federal funds. If employees are paid salaries by federal programs, those programs pay the respective matching percentages.

The Union County School District's total payroll for the year was \$13,637,817. The payroll for employees covered under KTRS was \$9,967,538. For the year ended June 30, 2014, the Commonwealth contributed \$1,265,736 to KTRS for the benefit of our participating employees. The District's contributions to KTRS for the years ending June 30, 2014, 2013 and 2012 were \$135,636, \$129,813, and \$177,384, respectively, which represent 100% of the required contributions for those employees covered by federal programs.

CERS

Substantially, all other employees (classified personnel) are covered under the County Employees Retirement System (CERS), a cost-sharing, multiple-employer defined benefit plan administered by the Board of Trustees of Kentucky Retirement Systems (KRS). CERS provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the State legislature. Section 61.645 of the Kentucky Revised Statutes assigns the authority to establish and amend benefit provisions to the KRS Board of Trustees. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 1-502-696-8000.

Plan members are required to contribute 5% (6% if hired after September, 2008) of their annual creditable compensation. The District is required to contribute at an actuarially determined rate. The current rate is 18.89% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by KRS Board of Trustees. The District's contributions to CERS for the years ended June 30, 2014, 2013 and 2012 were \$679,028, \$718,072, and \$705,410, respectively, equal to the required contributions for each year.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 6. Retirement Plans, continued

Defined Contribution Plans

The District makes available various 401(k) and 403(b) defined contribution pension plans for all regular full-time and part-time employees. These Plans are administered by independent third party administrators. Employees are allowed to contribute any amount to the Plans up to the Internal Revenue Code maximum allowable amount. The District can but is not required to contribute to the Plans. In addition, the District retains authority to amend or terminate these plans. During the year ended June 30, 2014, employees of the District contributed \$223,466 to 401(k) plans and \$12,600 to 403(b) plans..

Note 7. Deferred Compensation

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years. This deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, allows entities with little or no administering involvement and who do not perform the investing functions for these plans to omit plan assets and related liabilities from their financial statements. The District therefore does not show these assets and liabilities on its financial statements. The District does not contribute to these plans, and employees of the District contributed \$1,930 to these plans during the year ended June 30, 2014.

Note 8. Post Employment Health Care Benefits

Plan description – In addition to the pension benefits described in Note 6, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-retirement healthcare benefit, active member contributions are matched by the state at .75% of members' gross salaries. Member contributions are 2.25% of salary. The premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay 1.5% of members' salary for the 2013-2014 fiscal year. The District contributions to the Retiree Medical Insurance Fund for the years ending June 30, 2014, 2013, and 2012 were \$135,571, \$105,834, and \$44,867 respectively.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District pays annual premiums for coverage to Ohio Casualty/Liberty Mutual Insurance for their general liability and property insurance coverage. The District purchases unemployment insurance through the Kentucky Employers Mutual Insurance. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 10. COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

Note 11. Transfer of funds

The following interfund transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Nonmajor Governmental Funds:			
FSPK	Debt Service	Debt Payments	\$ 697,030
SEEK	Construction	Projects	57,244
Total Nonmajor governmental funds			<u>754,274</u>
General	Construction	Projects	105,238
General	Special Revenue	Projects	20,732
General	Special Revenue	Matching	12,439
General	Daycare Services	Operations	51,579
Total Transfers			<u><u>\$ 944,262</u></u>

Note 12. Litigation

The District is involved in litigation arising out of the normal course of business. The results of litigation proceedings cannot be predicted with certainty; however, in the opinion of the District's general counsel, the District does not have a potential liability in connection with these proceedings, which would have an adverse material effect on the financial condition of the District.

Note 13. Contingencies

Funding for the District's Grant Funds is provided by federal, state and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue its programs.

As shown in Note 5 above, the Kentucky School Facilities Construction Commission (KSFCC) is assisting the District with the repayment of the Bond Series 2006, 2009, 2013 and 2014. In the unlikely event the Commonwealth of Kentucky defaults on their portion of the bond series, the District is responsible to repay the amount in full. The KSFCC's portion as of June 30, 2014 was \$1,734,850

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 14. Deficit Operating/Fund Balances

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues under expenditures and other financing uses resulting in a corresponding reduction of fund balance. These deficits were funded by available resources at the beginning of the year.

After School Program	\$	34
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Note 15. On-behalf Payments

The Commonwealth of Kentucky made payments on behalf of the District as follows for the year ended June 30, 2014. The amounts are included in the General Fund, Debt Service, Food Service Fund and Day Care Fund as Intergovernmental-State revenues. In the General Fund, the retirement payments are recorded as additional instruction expense and the health insurance, flexible spending plan, and life insurance payments (net of administrative fees) are allocated to the various expense functions based on a ratio of employees and technology payments are recorded as District Administration expense. In the Debt Service Fund, the payments are recorded as principal and interest payments. In the Food Service and Day Care Funds, all of the payments are recorded as additional employee benefits.

Kentucky Teachers Retirement System	\$	1,212,340
Health insurance, flexible spending plan, life insurance, net of administrative fees		2,669,281
Technology		37,700
Debt Service		154,925
		154,925
	\$	4,074,246

Amounts Reported in:

General Fund	\$	3,735,046
Food Service Fund		140,841
Day Care Fund		43,434
Debt Service Fund		154,925
		154,925
	\$	4,074,246

**UNION COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2014**

Note 16. Commitments

The District had the following outstanding construction projects as of June 30, 2014, evidenced by contractual commitments, purchase orders and BG-1 forms, as applicable.

<u>Project</u>	<u>Incurred- to-date</u>	<u>Commitment Remaining</u>	<u>Total</u>
Uniontown Elementary Roof	\$ 363,087	\$ 112,297	\$ 475,384
Total	<u>\$ 363,087</u>	<u>\$ 112,297</u>	<u>\$ 475,384</u>

Note 17. Subsequent Events

Management has evaluated subsequent events through October 22, 2014 the date on which the financial statements were available to be issued.

Note 18. Change in Beginning Net Position

Governmental Accounting Standards Board statement 65 required changes to the beginning balances of the Statement of Net Position. Beginning net position of the governmental activities was decreased \$103,524 to eliminate bond issuance costs, which had been capitalized and amortized on previous statements.

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	BUDGETED AMOUNTS			VARIANCES WITH FINAL BUDGET
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Revenues:				
From local sources:				
Taxes:				
Property	\$ 4,314,000	\$ 4,314,000	\$ 3,956,249	\$ (357,751)
Motor vehicle	648,000	648,000	663,850	15,850
Utilities	1,200,000	1,200,000	1,411,650	211,650
Unmined minerals	430,000	430,000	409,888	(20,112)
Earnings on investments	5,000	5,000	5,300	300
Other local revenues	37,000	37,000	126,127	89,127
Intergovernmental - Local	491,000	491,000	446,024	(44,976)
Intergovernmental - State	11,823,702	11,823,702	12,057,311	233,609
Intergovernmental - Federal	45,000	45,000	115,590	70,590
Total Revenues	18,993,702	18,993,702	19,191,989	198,287
Expenditures:				
Current:				
Instruction	10,451,686	10,342,136	9,730,102	612,034
Support services:				
Student	1,184,326	1,175,822	1,062,328	113,494
Instructional staff	613,534	738,051	668,570	69,481
District administration	1,059,411	1,083,578	1,142,985	(59,407)
School administration	1,728,540	1,682,689	1,720,520	(37,831)
Business	698,657	688,997	695,704	(6,707)
Plant operations and maintenance	2,173,082	2,186,170	2,140,279	45,891
Student transportation	1,858,534	1,870,327	1,661,970	208,357
Community service activities	47,407	47,407	48,827	(1,420)
Adult education			-	
Capital Outlay:				
Facilities acquisition and construction				
Debt Service:				
Principal			-	-
Interest			-	-
Total Expenditures	19,815,177	19,815,177	18,871,285	943,892
Excess(deficiency) of revenues over expenditures	(821,475)	(821,475)	320,704	1,142,179
Other Financing Sources (Uses):				
Proceeds from sale of fixed assets	10,500	10,500	80,918	70,418
Proceeds from bonds				
Operating transfers in			-	-
Operating transfers out	(150,230)	(150,230)	(189,988)	(39,758)
Contingency	(1,224,288)	(1,224,288)		1,224,288
Total Other Financing Sources (Uses)	(1,364,018)	(1,364,018)	(109,070)	1,254,948
Net Change in Fund Balance	(2,185,493)	(2,185,493)	211,634	2,397,127
Fund balance July 1, 2013	2,185,493	2,185,493	4,213,957	2,028,464
Fund balance June 30, 2014	\$ -	\$ -	\$ 4,425,591	4,425,591

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	BUDGETED AMOUNTS		VARIANCES WITH FINAL BUDGET	
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Revenues:				
From local sources:				
Taxes:				
Property				
Motor vehicle				
Utilities				
Unmined minerals				
Earnings on investments				
Intergovernmental - State	\$ 947,727	\$ 942,459	\$ 990,130	\$ 47,671
Intergovernmental - Federal	1,400,730	1,451,017	1,521,623	70,606
Revenue in lieu of taxes				
Other state revenue				
Other local revenues		1,740	1,740	-
Total Revenues	2,348,457	2,395,216	2,513,493	118,277
Expenditures:				
Current:				
Instruction	1,756,567	1,860,286	1,942,457	(82,171)
Support services:				
Student	22,184	22,189	21,884	305
Instructional staff	245,300	193,710	217,778	(24,068)
District administration			-	-
School administration	17,550		-	-
Business	49,622	41,464	84,026	(42,562)
Plant operations and maintenance			-	-
Student transportation	94,321	109,662	93,155	16,507
Community services	187,724	188,637	187,364	1,273
Adult education			-	-
Capital Outlay:				
Facilities acquisition and construction				
Debt Service:				
Principal				
Interest				
Total Expenditures	2,373,268	2,415,948	2,546,664	(130,716)
Excess(deficiency) of revenues over expenditures	(24,811)	(20,732)	(33,171)	(12,439)
Other Financing Sources (Uses):				
Proceeds from sale of fixed assets				
Proceeds from bonds				
Operating transfers in	24,811	20,732	33,171	12,439
Operating transfers out				
Total Other Financing Sources (Uses)	24,811	20,732	33,171	12,439
Net Change in Fund Balance	-	-	-	-
Fund balance July 1, 2013	-	-	-	-
Fund balance June 30, 2014	\$ -	\$ -	\$ -	\$ -

**UNION COUNTY SCHOOL DISTRICT
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR BUDGETARY PROCESS
FOR THE YEAR ENDED JUNE 30, 2014**

Budgetary Process

Budgetary Basis of Accounting: Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for on-behalf payments. The Kentucky Department of Education does not permit Kentucky school districts to budget on-behalf payments. All annual appropriations lapse at fiscal year-end.

As required by KRS 160.470, on or before January 31 of each year, the District commences budget preparation for the following fiscal year. Before May 30, a tentative working budget is presented to the Kentucky Department of Education. A final working budget must be prepared and adopted no later than September 30. The budget is periodically amended and adopted by the Board of Education during the fiscal year with a final budget adopted by the Board prior to June 30.

The appropriated budget is prepared by fund unit, function, program, level, object and project. The legal level of budgetary control is the fund level.

Reconciliation between the Budgetary Basis of Accounting and GAAP

There were no material variances between the GAAP prescribed basis of accounting for governmental funds and the budgetary basis used by the District.

**UNION COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET- NONMAJOR GOVERNMENT FUNDS
JUNE 30, 2014**

	<u>FSPK Fund</u>	<u>SEEC Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Cash and cash equivalents					
Accounts receivable:					
Local					
Restricted cash	<u>\$ 211,168</u>	<u>\$ 338,988</u>	<u>\$ 431,139</u>	<u>\$ 9,821</u>	<u>\$ 991,116</u>
Total assets	<u>\$ 211,168</u>	<u>\$ 338,988</u>	<u>\$ 431,139</u>	<u>\$ 9,821</u>	<u>\$ 991,116</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts payable			<u>\$ 279,787</u>		<u>\$ 279,787</u>
Retainage payable			<u>31,088</u>		<u>31,088</u>
Due to other funds					
Total liabilities	<u>-</u>	<u>-</u>	<u>310,875</u>	<u>-</u>	<u>310,875</u>
Fund Balances					
Restricted for					
Capital Projects	<u>\$ 211,168</u>	<u>\$ 338,988</u>	<u>120,264</u>		<u>670,420</u>
Debt Service				<u>\$ 9,821</u>	<u>9,821</u>
Unassigned					<u>-</u>
Total fund balances	<u>211,168</u>	<u>338,988</u>	<u>120,264</u>	<u>9,821</u>	<u>680,241</u>
Total liabilities and fund balances	<u>\$ 211,168</u>	<u>\$ 338,988</u>	<u>\$ 431,139</u>	<u>\$ 9,821</u>	<u>\$ 991,116</u>

**UNION COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES- NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>FSPK Fund</u>	<u>SEEK Capital Outlay Fund</u>	<u>Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
From local sources:					
Taxes:					
Property	\$ 514,852				\$ 514,852
Earnings on investments	440				440
Donations					-
Intergovernmental - State	<u>236,700</u>	<u>\$ 207,325</u>		<u>\$ 154,925</u>	<u>598,950</u>
Total revenues	<u>751,992</u>	<u>207,325</u>	<u>-</u>	<u>154,925</u>	<u>1,114,242</u>
Expenditures:					
Capital outlay					
Facilities acquisition and construction	1,600		\$ 454,844		456,444
Debt Service:					
Principal				685,000	685,000
Interest				166,955	166,955
Bond issuance costs					-
Total expenditures	<u>1,600</u>	<u>-</u>	<u>454,844</u>	<u>851,955</u>	<u>1,308,399</u>
Excess (deficit) of revenues over expenditures	<u>750,392</u>	<u>207,325</u>	<u>(454,844)</u>	<u>(697,030)</u>	<u>(194,157)</u>
Other Financing Sources (Uses)					
Proceeds from bond issues			355,000		355,000
Bond premium					-
Payment to refunding agent					-
Payment of call premium					-
Transfers in			162,482	697,030	859,512
Transfers out	<u>(697,030)</u>	<u>(57,244)</u>			<u>(754,274)</u>
Total other financing sources (uses)	<u>(697,030)</u>	<u>(57,244)</u>	<u>517,482</u>	<u>697,030</u>	<u>460,238</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>53,362</u>	<u>150,081</u>	<u>62,638</u>	<u>-</u>	<u>266,081</u>
Fund balance, July 1, 2013	<u>157,806</u>	<u>188,907</u>	<u>57,626</u>	<u>9,821</u>	<u>414,160</u>
Fund balance, June 30, 2014	<u>\$ 211,168</u>	<u>\$ 338,988</u>	<u>\$ 120,264</u>	<u>\$ 9,821</u>	<u>\$ 680,241</u>

**UNION COUNTY SCHOOL DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND FUND BALANCES ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Activity Funds</u>	Cash Balances July 1, 2013	Receipts	Disbursements	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
Union County High School	\$ 122,992	\$ 528,676	\$ 466,670	\$ 184,998		\$ 37,047	\$ 147,951
Union County Middle School	35,499	118,216	113,770	39,945		770	39,175
Sturgis Elementary School	18,976	112,554	91,395	40,135	\$ 561		40,696
Uniontown Elementary School	20,780	50,230	54,158	16,852	893	832	16,913
Morganfield Elementary School	7,547	92,275	87,984	11,838			11,838
	<u>\$ 205,794</u>	<u>\$ 901,951</u>	<u>\$ 813,977</u>	<u>\$ 293,768</u>	<u>\$ 1,454</u>	<u>\$ 38,649</u>	<u>\$ 256,573</u>

The Activity Funds cash balances at June 30, 2014 consisted of the following

Cash and cash equivalents	\$ 210,362
Certificates of deposit	83,406
	<u>\$ 293,768</u>

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balances July 1, 2013	Receipts	Disbursements	Transfers In	Transfers Out	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
Academic Team	\$ 268	\$ 614	\$ 465	\$ -	\$ -	\$ 417			\$ 417
ACT Workshop	260	-	-	-	-	260			260
AG Science	674	1,703	1,368	10	-	1,019			1,019
Alumni Scholarship	357	1	-	-	-	358			358
Alumni Scholarship CD	2,512	-	-	-	-	2,512			2,512
Art Club	-	1,396	601	-	-	795			795
Art Department	3,103	5,716	7,391	-	-	1,428			1,428
Art Studio	2,075	255	613	-	-	1,717			1,717
Athletic Dept.	2,013	301,225	225,609	10,162	7,163	80,628		\$ 7,798	72,830
Athletic Participation/ Travel	1,253	9,887	11,620	1,555	25	1,050			1,050
Band	60	175	109	-	-	126			126
Baseball	414	-	-	-	414	-			-
Beta	1,098	-	-	-	-	1,098			1,098
Book Club	131	5	66	-	-	70			70
Book Rental	133	18,348	18,342	10	94	55			55
Carol Davis Scholarship	863	3,296	4,159	-	-	-			-
Carol Davis Passbook	7,792	4	4,500	-	-	3,296			3,296
Cedar	73	295	295	-	-	73			73
Cheerleaders	-	-	-	-	-	-			-
Chorus	549	1,199	1,395	-	-	353			353
Coed - Y	21	-	-	-	21	-			-
Coleman & Hazel Brinkley	-	500	500	-	-	-			-
Culinary Skills	57	-	-	-	57	-			-
Donan Jenkins Scholarship	3,000	-	3,000	-	-	-			-
Drill Team	218	-	-	-	218	-			-
Dr. Douglas Hines Scholarship	10	-	300	300	-	10			10
Douglas Hines Scholarship	2,232	-	-	-	-	2,232			2,232
Drink Machine	1,009	2,469	705	-	500	2,273			2,273
E A C	477	207	154	-	-	530			530
Ep English	10	-	-	-	10	-			-
F.B.L.A.	42	2,648	2,705	15	-	-			-
F.E.A.	528	-	-	-	-	528			528
F.F.A.	5,172	28,201	32,156	-	498	719		719	-
FCCLA	92	-	-	-	-	92			92
Faculty Scholarship	-	-	500	500	-	-			-
Faculty/Staff Flower	413	898	1,082	(75)	-	154			154
FMD	1,212	3,563	3,785	-	60	930			930
Foreign Language	1,460	-	283	-	-	1,177			1,177
Football Camp	2,888	4,070	3,615	-	1,155	2,188		789	1,399
Gamers Guild	140	-	-	-	-	140			140
General Fund	1,398	6,285	7,051	94	-	726		98	628
Gifted & Talented	-	600	577	-	-	23			23
Girls Basketball	65	-	-	-	65	-			-
Girls Soccer Camp	171	-	168	-	3	-			-
Golf- Boys	66	-	-	-	66	-			-
Greenwell Scholarship	288	48	-	-	-	336			336
Sam Greenwell CD	9,650	-	-	-	-	9,650			9,650
Guidance	5,096	11,807	15,728	10	-	1,185		493	692
Health Service	762	6,791	5,074	25	10	2,494			2,494
HOSA	208	60	-	-	-	268			268
Senior Class 2015	714	13,782	10,125	-	-	4,371			4,371
Janetta Lane Memorial SC	-	500	500	-	-	-			-

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Cash Balances July 1, 2013	Receipts	Disbursements	Transfers In	Transfers Out	Cash Balances June 30, 2014	Accounts Receivable June 30, 2014	Accounts Payable June 30, 2014	Fund Balances June 30, 2014
Kyle Brantley Scholarship	274	1	-	-	-	275			275
Kyle Brantley CD (2 CDs)	4,013	-	-	-	-	4,013			4,013
Library	1,017	974	149	-	-	1,842			1,842
Links YSC	95	500	569	-	-	26			26
Math Department	525	25	220	-	25	305			305
Media	931	1,145	1,168	75	-	983			983
National Honor Society	496	500	996	-	-	-			-
NTHS	280	4,628	3,032	-	1,100	776			776
Operation HOPE	206	-	202	-	1	3			3
Payton Mcelroy Scholarship	-	6,000	6,000	-	-	-			-
Parking Permits	5,712	3,455	4,056	-	-	5,111			5,111
PEP	2,178	4,020	3,631	-	2,415	152			152
Performing Arts	2,063	2,668	4,012	-	-	719			719
Project Graduation	-	30,397	28,758	515	165	1,989		193	1,796
Region 3 FFA	384	3,724	4,107	483	-	484			484
Science Club	476	-	371	-	-	105			105
Science	237	238	-	-	-	475			475
Senior Class 2014	3,932	2,269	3,196	60	30	3,035		229	2,806
Soccer- Boys Camp	176	-	-	-	176	-			-
SOAP	-	677	663	-	-	14			14
Student Safety Ambassador	138	-	-	-	-	138			138
Student Reward Money	1,425	1,347	1,958	78	-	892			892
21st Century Manufacturing	1,386	2,762	3,273	1,100	-	1,975			1,975
Tech Classes	4,048	8,101	7,748	20	-	4,421			4,421
Tennis Team	143	-	-	-	143	-			-
Teenpower	64	-	62	-	-	2			2
Track	40	-	-	-	39	1			1
Tri-M	225	350	432	-	-	143			143
Terry Goodwin Scholarship	4,058	-	-	-	-	4,058			4,058
VICA(Skills USA)	384	114	136	-	-	362			362
Vocational Electricity	451	2,070	2,035	25	25	486			486
Volleyball Camp Fund	6	-	-	-	6	-			-
Wrestling	128	-	-	-	128	-			-
Yearbook	26,270	26,163	25,364	(341)	-	26,728		26,728	-
Yearbook 2009	-	-	(9)	-	9	-			-
Gaming	204	-	-	-	-	204			204
Totals	\$ 122,992	\$ 528,676	\$ 466,670	\$ 14,621	\$ 14,621	\$ 184,998	\$ -	\$ 37,047	\$ 147,951

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through Commonwealth of Kentucky Department of Education:			
Title I Grants to Local Education Agencies	84.010	3100002-13	\$ 307,458
Title I Grants to Local Education Agencies	84 010	3100002-12	266,244
Total Title I			<u>573,702</u>
Special Education Cluster:			
Special Education-Grants to States	84.027	3810002-12	116,231
Special Education-Grants to States	84 027	3810002-13	443,916
			<u>560,147</u>
Special Education-Preschool Grants	84.173	3800002-13	43,746
Special Education-Preschool Grants	84.173	3800002-12	61,549
			<u>105,295</u>
Total Special Education Cluster			<u>665,442</u>
Improving Teacher Quality State Grants	84.367	3230002-13	118,257
Improving Teacher Quality State Grants	84.367	3230002-12	4,620
			<u>122,877</u>
Rural Education Achievement Program	84.358	3140002-13	41,897
Rural Education Achievement Program	84.358	3140002-12	43,097
			<u>84,994</u>
Vocational Education Basic Grants to State	84.048	4621332-13	9,008
Vocational Education Basic Grants to State	84.048	4621332-13	25,749
			<u>34,757</u>
Race to the Top	84 413A	3960002-11	<u>4,034</u>
ARRA School Improvement Grants, Recovery Act	84.388A	4100302-09	<u>14,571</u>
Total Kentucky Department of Education			<u>1,500,377</u>
Passed through Green River Regional Educational Cooperative			
Preschool ARRA	84.416A	B416A130210-13A	<u>21,246</u>
Total US Department of Education			<u>1,521,623</u>

UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
FOR THE YEAR ENDED JUNE 30, 2014

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	7760005 13	44,399
School Breakfast Program	10.553	7760005 13	164,747
			<u>209,146</u>
National School Lunch Program			
Cash Assistance	10.555	7750002 13	120,376
Cash Assistance	10.555	7750002 14	420,037
			<u>540,413</u>
Noncash Assistance - Commodities (Note C)	10.555	Fund 51	72,041
			<u>612,454</u>
Summer Food Service Program for Children	10.559	7690024 13	505
Summer Food Service Program for Children	10.559	7740023 13	4,826
Summer Food Service Program for Children	10.559	7740023 14	10,035
			<u>15,366</u>
Total Child Nutrition Cluster			<u>836,966</u>
Total U.S. Department of Agriculture			<u>836,966</u>
Total Federal Expenditures			<u>\$ 2,358,589</u>

Note A: Basis of Presentation:

This Schedule of expenditures of federal awards includes the federal grant activity of the Union County School District under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this Schedule presents only a selected portion of the operations of the Union County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Union County School District.

Note B: Summary of Significant Accounting Policies:

- (1) Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein, certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note C: Commodities:

Nonmonetary assistance is reported in the Schedule at the fair market value of the USDA food commodities received and disbursed.

Note D: Medicaid Reimbursements:

Although reported in the financial statements as direct federal revenue, medicaid reimbursements (\$115,590) are not considered expenditures of federal awards for the purposes of the schedule.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

State Committee for School District Audits
Members of the Board of Education
Union County School District
Morganfield, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the State Committee for School District Audits' Fiscal year 2013-2014 Financial Audit Contract, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Union County Board of Education's basic financial statements and have issued our report thereon dated October 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Union County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Union County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

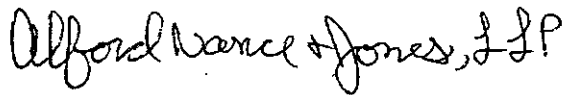
As part of obtaining reasonable assurance about whether Union County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are

required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the State Committee for School District Audits' Fiscal Year 2013-2014 Financial Audit Contract.

We noted certain matters that we have reported to management of the Union County School District in a separate letter dated October 22, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Alford Nance & Jones, LLP".

Alford, Nance & Jones, LLP
Madisonville, KY
October 22, 2014



ALFORD, NANCE & JONES, LLP
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

State Committee for School District Audits
Members of the Board of Education
Union County School District
Morganfield, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Union County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Union County School District's major federal programs for the year ended June 30, 2014. Union County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Union County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the State Committee for School District Audits' Fiscal Year 2013-2014 Financial Audit Contract. Those standards, requirements, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Union County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Union County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

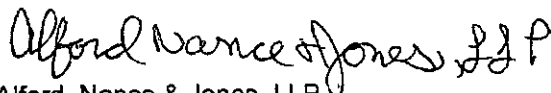
Report on Internal Control Over Compliance

Management of Union County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Union County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Union County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Alford, Nance & Jones, LLP
Madisonville, KY
October 22, 2014

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the financial statements of the Union County School District.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Union County School District were disclosed during the audit.
4. There were no deficiencies in internal control disclosed during the audit of the major federal award programs as reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the Union County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs included:

Child Nutrition Cluster:	
- National School Lunch	10.555
- National School Breakfast	10.553
- Summer Food Service	10.559
Improving Teacher Quality	84.367
Special Education Cluster	
-Special Education Grants to States	84.027
-Special Education-Preschool	84.173
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Union County Board of Education was determined to be a low risk auditee.

**UNION COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
FOR THE YEAR ENDED JUNE 30, 2014**

B. Findings-Financial Statements Audit

None reported.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None reported

D. Schedule of Prior Audit Findings (Relative to Federal Awards)

None reported



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Kentucky State Committee for School District Audits
Members of the Board of Education
Union County School District
Morganfield, Kentucky

In planning and performing our audit of the financial statements of the Union County School District for the year ended June 30, 2014, we considered the District's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated October 22, 2014, contains our report on significant deficiencies and material weaknesses, if any, in the District's internal controls. This letter does not affect our report dated October 22, 2014 on the financial statements of the Union County School District.

We appreciate the opportunity to bring these comments to your attention. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Alford Nance & Jones, LLP

Alford, Nance & Jones, LLP
Madisonville, KY
October 22, 2014

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2014**

CURRENT YEAR MANAGEMENT LETTER POINTS

School Activity Funds

The KDOE "Red Book" requires the use of specific forms (or reasonable facsimiles) and various procedures for certain activities. Below summarizes required forms or procedures not being used correctly:

	UCHS	UCMS	MES	SES	UES
Some checks missing dual signatures	X		X		
Not using the inventory control worksheet correctly	X				
Paid sales tax	X				
No purchase order for expense reimbursement	X				
Multiple receipt form not correctly used at times	X		X		
Money held by sponsor and/or not deposited timely	X			X	
inventory Control worksheet not used correctly		X			
Ticket sellers did not initial form		X		X	
Fundraiser organization gave teacher fund money		X			
Purchased musical instrument		X			
Invoice dated prior to purchase order		X			
Amount paid before purchase order		X			
Office supplies purchased with student money		X			X
Missing fundraiser approval			X		
Some deposit tickets not initialed by another person			X		
Fundraiser worksheet not signed by sponsor			X		
Amount deposited does not agree with documentation				X	
Fundraiser worksheet not used				X	
No inventory control worksheets				X	
Teacher Christmas lunch paid out of PTO activity fund					X

Recommendation: We recommend that the principal and secretary at each school review the "Red Book" and comply with its requirements regarding the use of these procedures.

Response: We concur with the comment and will stress compliance with the "Red Book". Management intends to also conduct a "Red Book" training session to educate the school financial secretaries and administration on compliance guidelines related to School Activity Funds.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2014**

PRIOR YEAR MANAGEMENT LETTER POINTS

School Activity Funds

The KDOE "Red Book" requires the use of specific forms (or reasonable facsimiles) and various procedures for certain activities. Below summarizes required forms or procedures not being used correctly:

	<u>UCHS</u>	<u>UCMS</u>	<u>MES</u>	<u>SES</u>	<u>UES</u>
Interest earned on all accounts posted to General fund	X				
Not using Redbook form FSA-17	X				
Did not use Ticket Requisition form properly	X		X		
Some deposit slips not properly initialed	X				
No supporting documentation for sale of Greenhouse plants(2nd yr)	X				
Principles combining budget filed late	X			X	
Some booster organization reports not submitted/timely	X				X
Purchase over \$1,500 not approved by Central office	X				
Missing invoice for online purchase	X				
Some PO's dated after invoice date			X		X
Money held for a week before being deposited			X		
Did not use inventory control worksheet				X	X
Missing deposit tickets/other documentation				X	
Purchased office supplies, etc with student money				X	
Multiple receipt form not dated					X

Recommendation: We recommend that the principal and secretary at each school review the "Red Book" and comply with its requirements regarding the use of these procedures.

Response: We concur with the comment and will stress compliance with the "Red Book". Management intends to also conduct a "Red Book" training session to educate the school financial secretaries and administration on compliance guidelines related to School Activity Funds.

FYE 6/30/14: See current year comment

School Food Service

1) Food service operations reported a decrease in net position for 2013 in the amount of \$80,494. In addition, the general fund had to loan the food service operation \$113,858 to pay current operating expenses. Management acknowledges the decrease in net position and cash for the year, but appears to have passively investigated or implemented policies or procedures to mitigate the decline during the past three years.

Recommendation: We recommend management take a proactive approach to food service operations and monitor and compare operations by locations, particularly cost of food per meal, participation, and total costs to identify trends and problem areas and actively investigate and make changes throughout the year.

Response: The food service coordinator and other members of the administrative team will proactively develop and continuously monitor an action plan geared towards increasing revenues and reducing costs in food service operations.

**UNION COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
FOR THE YEAR ENDED JUNE 30, 2014**

School Food Service, continued

FYE 6/30/14: The food service coordinator and members of the administrative team have implemented policies and procedures to improve food service operations. The loan from the general fund has been reduced to \$1,655 and the food service operations reported an increase in net position \$31,744.

2) Accounts receivable from student charged meals has increased from the previous year. At June 30, 2013, the balance is \$25,121, an increase of \$9,354 from 2012.

Recommendation: We recommend increased efforts be maintained to collect previous student charges and to implement and adhere to one current student charge policy.

Response: We will adhere to the existing policy set forth by food service which allows a \$6.25 charge balance per student. The District will increase efforts to collect previous student charges and will continue monitor student charge accounts on a regular basis.

FYE 6/30/14: The District has adhered to the existing policy on charged accounts for 2014 and have collected \$12,883 of past due accounts.

3) During our site review of operations at Morganfield Elementary, we noticed the students going up to the register, and announcing their name to the cashier. A keypad was connected to the register but placed behind other items.

Recommendation: We recommend management consider using keypads at all of the cash registers and inputting student photographs in the system. Students can easily hold their trays and key in a number. In addition, the State report indicates the preference of using student keypads. This will enable the cash register operator to more adequately monitor the meal tray and any negative balances on the student accounts. In addition, students will not be concerned or able to observe the cash register screen until it is cleared and their turn.

Response: We concur with the recommendation for utilizing keypads at all cash registers and will evaluate current procedures and options for improving.

FYE 6/30/14: We concur with the recommendation for utilizing keypads at all cash registers at the middle and high school grade levels and will evaluate current procedures and options for improving. With the recent implementation of the Community Eligibility Option at all elementary schools, management has determined that current procedures which do not utilize the key pads are the most efficient.

4) Currently the food service director is traveling to Uniontown Elementary to pick up and deposit the food service deposit on a regular basis.

Recommendation: We recommend the food service director coordinate the depositing of food service receipts with the Uniontown activity fund bookkeeper. The activity fund bookkeeper should be making deposits on a regular basis for the school and able to make a separate deposit for the lunchroom operation.

Response: We concur with the recommendation and will implement an alternative method to make the daily food service deposits.

FYE 6/30/14: The District has implemented a procedure in which the school activity fund bookkeeper coordinates school activity fund deposits with that of the lunchroom receipts. This has eliminated the need for the food service director to travel to the school to collect food service deposits.